

AR35

General Motors of Canada Limited



1972 Annual Report



A view through the camera's "fisheye" lens encompasses engine, transmission and rear axle installation area at the Ste-Thérèse plant. The assemblies are hoisted into place by pairs of hydraulic pedestals moving in synchronism with bodies suspended from an overhead conveyor.

General Motors of Canada Limited Annual Report 1972

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HEAD OFFICE—OSHAWA, ONTARIO

Plants in:

Oshawa, Ontario

London, Ontario

Scarborough, Ontario

St. Catharines, Ontario

Windsor, Ontario

Ste-Thérèse Ouest, Québec

On peut se procurer l'édition française de ce rapport en écrivant au Secrétaire, General Motors of Canada Limited, William Street, Oshawa, Ontario.

COVER:

PONTIAC ASTRE GT HATCHBACK COUPE

GENERAL MOTORS OF CANADA LIMITED

BOARD OF DIRECTORS

JOHN D. BAKER
President, General Manager and
Chief Executive Officer

E. JOHN BARBEAU
Executive Vice President and
General Manufacturing Manager

JOHN Z. DeLOREAN
Vice President and Group Executive
General Motors Corporation

CHARLES L. JENKINS
Secretary and Treasurer

JOHN D. MINTLINE
Vice President and Finance Manager

THOMAS N. MURPHY
Secretary, Executive Committee
General Motors Corporation

FRANK O. RILEY
Vice President and Group Executive
General Motors Corporation

ROGER B. SMITH
Vice President and Group Executive
General Motors Corporation

OFFICERS

JOHN D. BAKER
President, General Manager and
Chief Executive Officer

E. JOHN BARBEAU
Executive Vice President and
General Manufacturing Manager

JOHN D. DUFFY, JR.
Vice President and
General Sales Manager

JOHN D. MINTLINE
Vice President and Finance Manager

FREDERICK W. WALKER, JR.
Vice President;
General Manager Diesel Division

CHARLES L. JENKINS
Secretary and Treasurer

J. DONALD THORNTON
Comptroller

GENERAL MOTORS OF CANADA LIMITED HIGHLIGHTS

	1972	1971
DOLLAR SALES OF ALL PRODUCTS	\$2,466,873,000	\$2,493,082,000
TOTAL UNIT SALES		
Cars	500,000	564,000
Trucks and coaches	131,000	124,000
Total	631,000	688,000
NET INCOME	\$ 94,196,000	\$ 79,763,000
TAXES		
Income taxes	\$ 78,534,000	\$ 69,149,000
Other taxes	26,968,000	24,239,000
Total	\$ 105,502,000	\$ 93,388,000
REAL ESTATE, PLANTS AND EQUIPMENT		
Plant expenditures for year	\$ 31,900,000	\$ 43,397,000
Balance at December 31	270,114,000	282,081,000
EMPLOYMENT		
Average number of employees	26,600	28,400
Total payrolls	\$ 322,175,000	\$ 320,435,000

WHAT HAPPENED TO THE REVENUE GM OF CANADA LIMITED RECEIVED DURING 1972

	millions	
GM OF CANADA LIMITED RECEIVED From sale of its products and other income	\$2,472.6	100%
THIS REVENUE WENT		
To suppliers for materials, services, etc.	\$1,839.3	75%
To employees for payrolls, employee benefit plans, etc.	\$ 390.0	16%
For income and other taxes	\$ 105.5	4%
To provide for depreciation and obsolescence of real estate, plants and equipment	\$ 43.6	2%
For dividends	\$ 58.2	2%
For use in the business to provide for expansion and modernization of facilities and for working capital	\$ 36.0	1%

THE PRESIDENT'S LETTER



Sales by General Motors of Canada in 1972 produced revenue of \$2,467 million, slightly less than 1971's figure of \$2,493 million. Nevertheless, despite increased selling costs and higher costs of labor and materials, the loss of sales revenue was more than offset by increased efficiencies and lower tooling costs. As a result net income was a record \$94 million, up from \$80 million in 1971.

Retail sales by General Motors dealers in Canada responded to the increasingly favorable economic conditions and record high personal incomes throughout the year, with deliveries to customers rising by more than 11 per cent to 355,963 cars and trucks. Unit sales to Canadian dealers, however, were slightly below the levels reached a year earlier when results of the prolonged strike in 1970 created make-up business in early 1971 and necessitated the rebuilding of dealer inventories. Sales by the Diesel Division of GM of Canada were at an all-time high, with demand strong for coaches, locomotives, TEREX earth moving equipment and Detroit Diesel Allison engines.

Cost increases in 1973 model car and truck manufacture imposed by the necessity of meeting legislated standards in the fields of automotive emission control and safety were covered by price increases averaging \$52 per vehicle, or only 1.1 per cent, which became effective on December 4, 1972. The price change included no profit mark-up for either General Motors of Canada or its dealers and no recovery for economic increases which include wages, material and other costs.

The past year has witnessed new enterprise, new scope and new records in our operations.

Two new vehicles entered production at the Ste-Thérèse assembly plant. One, the Vega, had never been built before outside the United States; the other, the Astre, is a new small car, built by Canadians for sale in Canada by our Pontiac-Buick dealers.

Increased requirements for the services of the cold weather testing facility at Kapuskasing in northern Ontario resulted in the construction of a full scale, permanent installation on a 23 acre site. Engineers from General Motors divisions in North America and around the world now have access to complete and up-to-date shops and laboratories located in a geographic area where continuing below-zero conditions have not failed to materialize in the winter months of the 25 years that have passed since GM of Canada conducted its first cold weather tests at Kapuskasing.

Introduction of 1973 models brought new safety-related equipment to GM customers. A three-point safety belt system became standard along with a buzzer and light to remind front seat occupants to fasten the belts. Improved bumpers, front and rear, better withstand impact and serve to protect lights and body metal.

Added to control devices that reduce emissions from carburetor, crankcase and fuel tank was the first use of exhaust gas recirculation as a device for reducing oxides of nitrogen in the exhaust.

The organizational structure of General Motors of Canada was strengthened during the year by several senior appointments and promotions and by the formation of three new staff activities, all aimed at achieving a more thorough coordination among the company's plants and between the company and its allied divisions within General Motors. The three new activities are Forward Planning, Manufacturing Engineering and Production Control.

The first group, reporting to the Director of Engineering and Forward Planning, is applying a more formalized approach to our forward planning activities to assure that the most economical use will be made of all available production facilities in both the fabrication and assembly areas of the company.

The second group, reporting to the Director of Manufacturing Engineering, which is a newly created position, is responsible for the planning and provision and maintenance of production and other facilities at all plant and office locations.

The third activity, under the direction of a newly created Director of Production Control, brings together all scheduling, material handling and traffic operations of the automotive plants.

Working closely together the three new departments are making increasingly important contributions to the efficiency of overall operations.

A notable event during the year was the building of the 8 millionth General Motors vehicle in Canada.

The first GM car built in Canada, a McLaughlin Buick, was produced in 1908. The first millionth vehicle came off the line in 1937. Succeeding millionth vehicles were produced in 1950, 1956, 1961, 1965, 1967 and 1969.

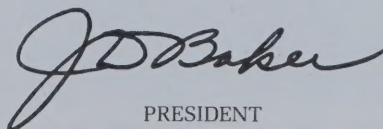
Mrs. Michael Eno, a production worker in the Oshawa plant, drove the 8 millionth car off the line on April 13, 1972, representing all the people of General Motors of Canada.

As 1973 begins, the outlook for the industry and particularly for the already well-received General Motors lines of both cars and trucks is clearly optimistic.

Current estimates place total industry sales for 1973 in Canada at approximately 1,200,000 units, up some 140,000 units, or about 13 per cent, from the 1,060,000 units sold in 1972. It is expected that passenger car sales of 950,000 units and truck sales of 250,000 units will set new records.

Savings levels are high, a favorable credit situation appears to be assured and the general economic condition shows promise of being maintained.

To all our employees, to our dealers, our suppliers and our loyal customers across the land we offer our thanks for past successes and our pledge to strive for even greater accomplishment in years to come.



PRESIDENT

February 26, 1973

REVIEW OF OPERATIONS

Industry new car and truck sales in Canada in 1972 were approximately 1,060,000, up 14 per cent from 1971, with the tempo of sales accelerating through the year as general economic conditions continued to improve. Imports from countries outside North America declined from 23.2 to 22.5 per cent of the industry total.

Factory Sales of Cars and Trucks

Factory sales of cars, trucks and coaches produced by General Motors of Canada Limited in 1972 totalled 459,128 vehicles. This was in addition to the sale of 172,000 vehicles imported into Canada. Of the units produced and imported, 351,000 were sold in Canada, 255,000 were shipped to the United States and 25,000 were exported to 32 other countries. Sales of vehicles imported by General Motors of Canada from countries outside North America totalled 6,800 units. Demand for Vega, Century, Chevelle, Monte Carlo, Ventura and Eldorado passenger cars was particularly heavy. Truck sales of 131,400 units were a record.

While there were no work stop-

pages in GM of Canada's plants during 1972 sales penetration in the exceptionally strong market was to some extent curtailed by problems of availability of some models caused by strikes at allied divisions in the United States.

Dollar sales by General Motors of Canada in 1972 totalled \$2,467 million, slightly down from the record total of \$2,493 million set in 1971. Net income was a record \$94 million, compared to \$80 million in 1971. Net income as a percentage of sales was 3.8 in 1972, compared to 3.2 in 1971. Dividends paid amounted to \$58.2 million, compared to \$45.5 million paid in 1971.

Prices

In September of 1972, General Motors of Canada's 1973 model cars and trucks, which incorporated many new safety, emission control and other product improvements, were placed on sale at prices that were the same as or lower than 1972 model prices for otherwise comparably equipped models. With the exception of adjustments on certain models for the inclusion of some items of optional equipment made stan-

dard, which averaged \$6 per unit, these prices had not been increased since January, 1972. Prices at that time were increased an average of \$40 per vehicle, to cover product improvements, including the three-point seat belt warning system.

Effective with vehicles shipped on or after December 4, 1972, list prices for the 1973 model cars and trucks were increased by an average of \$52 per vehicle or 1.1 per cent over the 1973 model introductory prices. This price movement covered the cost increases incurred to meet government-mandated safety and emission standards. The price change was made on a cost pass-through basis with no profit mark-up in the Manufacturer's Suggested Retail Price for either General Motors or its dealers. There has been no recovery for economic increases which include wages, material and other costs.

Vega and Astre

Production of Vega for the first time outside of the United States began at the Ste-Thérèse, Quebec, assembly plant at the start of the new model year in the fall.



Locating fixture assures proper positioning of rear window at Oshawa passenger car body plant.



Delco plant employee checks accuracy of speedometer at various simulated speeds during final instrument cluster inspection.

This small car is part of the Chevrolet line and is being produced for export to the north-eastern United States as well as for domestic sale. Late in the year Ste-Thérèse began production of a second small car, the new Astre. The Astre is an addition to the Pontiac line and is sold in Canada by Pontiac-Buick dealers.

Diesel Division

Diesel Division at London, Ontario, introduced a new line of locomotives in January of 1972 and has experienced a gratifyingly high level of sales success, with orders for the product booked at plant capacity into 1974. A record single order for 110 locomotives was received from Yugoslavia. Mexico was also an important export customer.

To meet the demands of an expanded market for transit units, coach operations were transferred to leased facilities on nearby property, permitting an increase in production. This move had the added advantage of freeing high bay space in the plant for the building of more locomotives.

Sales of Detroit Diesel Allison

engines are at record high levels and a repeat order for four TEREX Model 33-15 off-highway trucks, the largest vehicles built anywhere by General Motors, has been received from Yugoslavia.

Cold Weather Testing

In August of 1972 General Motors of Canada began construction of a full scale and permanent cold weather test facility for use during the winter season at Kapuskasing, Ontario.

The company first began winter testing in the Kapuskasing area a quarter of a century ago and has conducted extensive programs there for the past 18 consecutive years. The new test facility covers nearly 13,000 square feet of floor space—with room allowed for expansion—on a 23 acre site. It was in partial operation by November 15. An official opening was scheduled for February, 1973.

GM has always considered the Kapuskasing area best for cold weather testing because of the predictability of its winter temperatures and the travelling distance over good roads from both Oshawa and Detroit—500 and

750 miles respectively. Most GM cold weather tests are conducted in temperatures ranging from zero to minus 30 degrees Fahrenheit—and sometimes minus 40 degrees.

Kapuskasing now officially joins a chain of GM testing facilities in North America: the principal GM Proving Ground established in 1924 at Milford, Mich., the Desert Proving Ground at Mesa, Ariz. and the high altitude test centre near Pike's Peak, Col., which operates during summer months.

Testing at Kapuskasing quadrupled in scope and size in the past three years. People from 19 GM divisions representing car and truck divisions, component

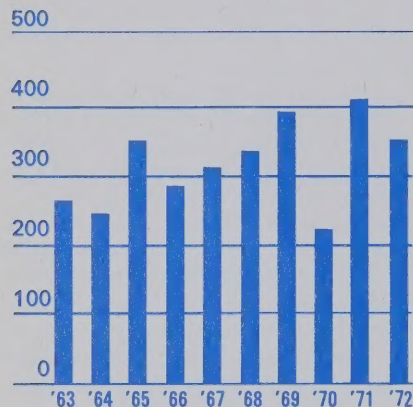


In warm indoor comfort a GM engineer monitors bank of instruments recording test results on cars outside where temperatures range down to 40 below zero.

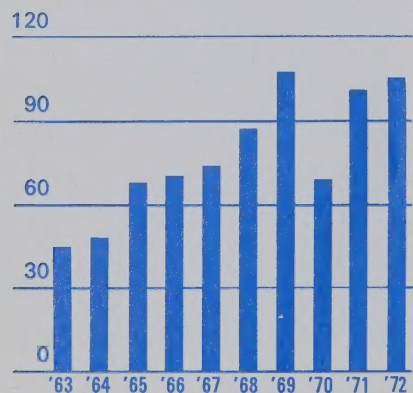


New 13,000 square foot cold weather test facility on 23 acre site at Kapuskasing in northern Ontario.

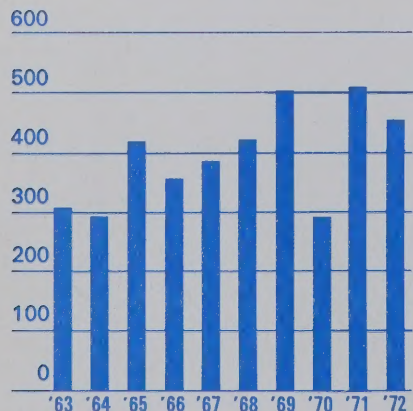
Factory Sales of Cars
thousands of units



Factory Sales of Trucks
thousands of units



Factory Sales of Cars and Trucks
thousands of units



divisions, Fisher Body division and the General Motors Overseas organization performed 1,392 tests on 70 vehicles during the 1971-72 winter season. Vehicles included those built by GM in Canada, the United States, the United Kingdom, West Germany and Japan as well as competitive makes.

The tests regularly conducted include cold start and driveaway, defroster capability, heater operation on the highway and in the city, traction, accessory (car warmer and block heater) evaluation and overall general performance and durability.

Expenditures for Plant and Equipment

Major expenditures in 1972 were incurred with the decision to build Vegas at the Ste-Thérèse, Quebec, assembly plant and to return the manufacture of full-sized Pontiacs to Oshawa. At the St. Catharines plant increased foundry capacity for nodular iron and a continuing program of foundry emission control accounted for further major expenditures. Substantial expenditures also were involved in tooling up for the manufacture of the completely restyled Chevelle, Monte Carlo and LeMans series. Total expenditures for plant and equipment by GM of Canada in 1972 amounted to \$32 million.

Automotive Safety

Efforts continued during 1972 to further improve the safety characteristics of General Motors cars in the areas of both vehicle operation and occupant protection.

All new model GM cars feature as standard equipment a three-point lap-shoulder belt combination as well as a new buzzer and light system to remind the driver and right front seat passenger to buckle up. The buzzer sounds and a red light on the instrument panel flashes the message, "fasten seat belts", whenever either

the driver or right front seat passenger fails to connect his lap belt while the ignition is on and the transmission is in a forward drive position. Buckling the belt automatically turns off the buzzer and the light. Early surveys indicate that this new system is substantially increasing the use of safety belts.

Efforts are also continuing to develop restraint systems that will meet proposed Canadian standards for occupant protection. To meet 1974 requirements General Motors is working on a belt system with ignition interlock. With the ignition interlock the car will not start until the driver buckles up. In 1976 models a completely passive all-seat system is proposed. GM is continuing its work on air cushions to satisfy this requirement.

Bumper systems on all 1973 GM cars have been improved to protect safety-related components such as lights, hood opening and fuel tank. Front bumpers are designed to withstand barrier impacts up to 5 mph and rear bumpers barrier impacts up to 2½ mph. These new bumper systems do a better job of protecting adjacent sheet metal in low-speed impacts.

Automotive Air-Pollution Control

GM's 1973 models include emission control devices that reduce emissions from the carburetor, the crankcase and fuel tank. These devices also minimize formation of exhaust emissions through better control of the combustion process. This includes more accurate fuel metering, spark timing and air temperature control. A major addition to control systems in 1973 models was the first use of exhaust gas recirculation as a device for reducing oxides of nitrogen in the exhaust.

Extremely stringent levels of emissions for 1975 and 1976 models have been proposed for

legislation in Canada. General Motors has been able to meet these emission levels, but only with prototype systems in experimental cars at low mileage. Much more progress is required to get from these carefully tuned experimental systems to mass-produced systems that not only meet the guidelines but also function properly in the hands of our customers.

General Motors is making every effort to meet the proposed standards but believes they are unrealistic and that, for this decade, they impose unnecessarily strict pollution control. Despite the millions of pre-control cars still on the road and the increase in the total number of motor vehicles in the past ten years, the industry has turned the corner on automotive air pollution. Compared with uncontrolled cars of a decade ago exhaust hydrocarbons have been reduced over 80 per cent, carbon monoxide over 70 per cent and oxides of nitrogen are projected for about 40 per cent reduction as the result of additional controls for 1973.

General Motors is currently studying two catalytic systems with potential to meet the proposed 1975 and 1976 emission standards. A catalytic system acts chemically to convert pollutants into harmless vapors as the automobile's exhaust gases are passed through it. Fifty-one different chemical firms have developed and submitted more than 970 catalysts, but few catalysts have survived the rigorous test program with low enough emissions levels to assure compliance.

Industrial-Pollution Control

General Motors of Canada pursued its program of measures ensuring clean air and clean water at its plant installations in six Canadian cities during 1972 while maintaining constant communication with authorities responsible for air and water

standards at both municipal and provincial levels.

As in previous years the heaviest part of the program was centred at St. Catharines, Ont., site of GM component manufacturing, foundry and engine plant facilities. At year's end an extensive program to eliminate foundry cupola emissions—at one of the largest foundries of its kind in the western world—was within a few weeks of completion.

To take care of additional melting capacity requirements, GM of Canada also installed an induction-melting facility—a type of electric furnace—which will eliminate use of fossil fuels beyond present levels.

The company believes that the development experience in clean air measures at St. Catharines is contributing significantly to the general knowledge of emission control equipment wherever it can be applied.

A new multi-million dollar water purification program at the St. Catharines plants has now begun—one facet to be completed in August of this year, the other in March, 1974.

At Oshawa, a process waste water retention and clarifying installation for the car and truck assembly plants was nearing completion and a water purification system in the component manufacturing plants was completed and placed in operation.

During 1972 more than \$5 million was spent in the continuing program to upgrade facilities in all pollution-related phases of operations ranging from power plants to paint booths.

Aid to Education and Charitable Contributions

Financial aid to education by General Motors of Canada in 1972 consisted of the General Motors Scholarship Program and contributions to major university fund campaigns. The GM Scholarship Program is currently bene-

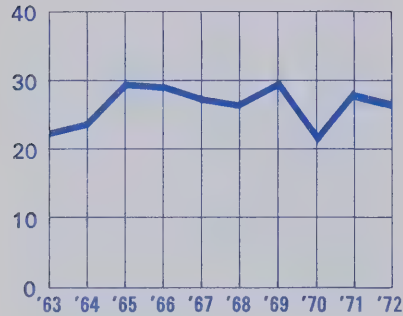
fitting 66 students in 17 universities in Canada.

General Motors believes that it has an obligation to make reasonable contributions to local charitable, educational and community organizations in areas where it operates. As a large industrial enterprise General Motors contributes, nationally, to organizations where its participation would be appropriate. At the local level, contributions other than for education are generally related to the size and employment of GM's operations in each particular locality and are designed to benefit those communities.

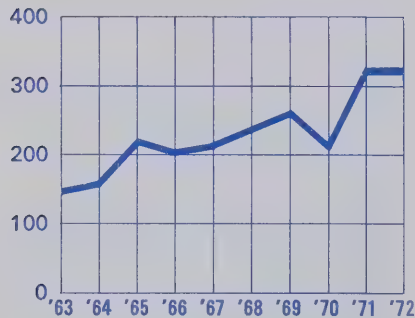


Worker at Diesel Division, London, Ontario, engaged in final assembly of 33-15 heavy hauler.

Employment
thousands



Payrolls
millions of dollars



Organization Changes

Several promotions and senior appointments, reflecting a re-alignment of staff responsibilities, occurred during the past year.

John D. Duffy, Jr. was appointed General Sales Manager and elected a Vice President of the company.

J. Donald Thornton was appointed Comptroller, succeeding J. R. Edman who was appointed Comptroller of the AC Spark Plug Division of General Motors Corporation.

A. G. Warner, Director of Manufacturing, was given responsibility for all GM automotive manufacturing operations in Canada.

W. J. Howard was promoted to the newly established position of Director of Production Control and is now responsible for scheduling, material control and traffic activities at all automotive plant operations.

F. C. Fleck was appointed Director of Engineering and Forward Planning. In addition to directing the Engineering Department he also directs and coordinates all forward planning operations for the company, a new activity now established on a more formal basis.

Mr. Fleck succeeds E. R. S. McLaughlin who was appointed Director of Manufacturing Engineering, responsible for all manufacturing service operations, including standards and methods, tooling and processing, facilities planning and plant engineering for the Canadian automotive operations.

Also instituted during 1972 was a concept of management known as Organizational Development which seeks improvements in such areas as job content, supervisory relationships, organizational structures and the overall working environment.



Oldsmobile Delta 88 Royale Hardtop Coupe

PEOPLE OF GM OF CANADA

General Motors of Canada's average employment was approximately 26,600 men and women in 1972, and payrolls totalled a record \$322 million. In 1971, average employment was approximately 28,400 and payrolls totalled \$320 million.

Average hourly employment in Canada was 19,800 in 1972, and payrolls totalled \$229 million. Wages for these men and women averaged \$5.65 per hour for an average workweek of 39.4 hours. This compared with \$5.36 per hour for an average workweek of 38.6 hours in 1971.

The average weekly wage of GM of Canada's hourly employees in 1972 was \$222.68. This was \$66.48 or more than 42 per cent above the average weekly earnings of \$156.20 reported for all Canadian manufacturing employees by Statistics Canada. This does not include the cost of employee benefit programs, which have been significantly expanded over the years.

Effective November 20, 1972,

hourly wage rates for General Motors hourly employees were raised by amounts ranging from 11 cents to 21 cents per hour. This annual improvement factor is a result of GM labor agreements and policies. Such annual improvement factors have been provided to hourly employees since 1948. In December the cost-of-living allowance for hourly employees in Canada was increased by five cents an hour, which brought the total cost-of-living allowance to sixteen cents an hour.

Effective December 1, 1972, eligible salaried employees in Canada received three per cent salary increases. In addition, the cost-of-living allowance for eligible salaried employees was increased from \$15 to \$55 per quarter during 1972.

Employee Benefit Programs

In 1972, GM of Canada contributed a record \$65.8 million

to employee benefit programs, which offer hourly and salaried employees help in planning for the future and in providing security for themselves and their families. Two of the most important benefit programs are the pension program and the group insurance program, which provides life and survivor income benefits insurance, disability income benefits and hospital-surgical-medical-drug coverages.

Suggestion Plan

More than 14,000 suggestions were accepted last year and total awards amounted to over \$750,000. Average weekly awards of more than \$14,000 were paid to GM of Canada people in 1972 for suggestions increasing plant and product safety and for improving quality and manufacturing methods. Almost 100 individual awards were valued at \$1,000 or more. Maximum award under the GM Suggestion Plan is \$10,000. There were five maximum award winners in 1972.



Buick Century Regal Colonnade Hardtop Coupe

Savings-Stock Purchase Program

The General Motors Savings-Stock Purchase Program provides eligible GM of Canada employees with a sound and convenient system for saving and an opportunity to become part owners of General Motors. All salaried employees in Canada with more than one year of service are eligible to participate in the Program.

An employee may save up to 10 per cent of his base salary and cost-of-living allowance. For each \$2 the employee saves, General Motors contributes \$1. GM's contribution is invested in GM common stock. Of the amount saved by the employee, one-half is invested in Government securities and the other half is invested in General Motors common stock. Participating employees have the benefit of GM's contributions, which help their savings accumulate more rapidly and, through the purchase of GM common stock, are building an ownership in GM.

In 1972, 76 per cent of eligible salaried employees in Canada saved an average of 7.9 per cent

of their salaries. There were 3,678 employees in the class of 1967 when it matured at the end of 1972, and they received or were credited with GM common stock, Government securities and cash valued at approximately \$4.7 million, the equivalent of \$1.89 for each \$1 they had invested in the Program.

Educational Aid for Employees

General Motors of Canada, in addition to its support to higher education and the GM Scholarship Program, encourages participation by employees in the General Motors Tuition Refund Plan. Under this Plan, GM of Canada reimburses employees in an amount up to \$500 each year for the satisfactory completion of approved courses related to their field of work in recognized educational institutions. In 1972, among 650 employees studying under the Plan, four were awarded bachelor degrees and two graduate degrees. Refunds under the Plan and individual graduate fellowships granted to employees

by General Motors in 1972 totalled \$71,100.

General Motors also maintains General Motors Institute, a five-year, fully accredited college in Flint, Michigan. GMI, with an enrolment of more than 3,000 students, 49 of whom were Canadians in 1972, provides an opportunity to earn degrees in engineering and industrial administration through a cooperative program. Students alternate periods of academic study and paid related work assignments at sponsoring GM divisions. The Institute also conducts a wide range of part-time management and continuing education courses for employees of GM units.

The people of General Motors of Canada are responding positively to the broad variety of training, benefit and communication programs offered. Increasing awareness of both responsibilities and opportunities continues to be reflected in broadening involvement, finer craftsmanship and intensified pride in individual accomplishment at all levels of plant and office operations.



Operator at Windsor Trim plant uses multi-needle machine in design sewing of passenger car seat cushion.



Main control panel for cupola emissions equipment in foundry at St. Catharines.

STATEMENT OF INCOME AND NET INCOME RETAINED FOR USE IN THE BUSINESS

for the years ended December 31, 1972 and 1971

	Year 1972	Year 1971
NET SALES (Note 2)	\$2,466,873,171	\$2,493,081,584
Other income less sundry income deductions	5,766,622	10,852,125
TOTAL	2,472,639,793	2,503,933,709
LESS		
Cost of sales and other operating charges, exclusive of items listed below	2,146,498,733	2,172,188,607
Selling, general and administrative expenses	65,561,056	59,120,857
Depreciation and obsolescence of real estate, plants and equipment (Note 3)	43,568,529	41,646,783
Amortization of special tools (Note 3)	36,591,158	73,932,322
Interest expense (Note 4)	7,690,177	8,132,444
Provision for income taxes (Note 5)	78,534,236	69,149,294
TOTAL	2,378,443,889	2,424,170,307
NET INCOME for the year	94,195,904	79,763,402
NET INCOME RETAINED FOR USE IN THE BUSINESS at beginning of the year	292,372,376	258,108,974
TOTAL	386,568,280	337,872,376
LESS CASH DIVIDENDS	58,158,775	45,500,000
NET INCOME RETAINED FOR USE IN THE BUSINESS at the end of the year	\$ 328,409,505	\$ 292,372,376

Reference should be made to the Notes to Financial Statements (pages 16 through 18).

BALANCE

December 31,

ASSETS

	<u>Dec. 31, 1972</u>	<u>Dec. 31, 1971</u>
CURRENT ASSETS		
Cash	\$ 4,082,071	\$ 5,037,591
Time deposits	61,000,000	73,914,194
Accounts and notes receivable:		
Trade—affiliated companies	87,091,854	73,363,426
Other trade and sundry	88,268,489	47,698,020
Inventories (Note 6)	230,400,683	213,231,315
Prepaid expenses	774,585	569,906
TOTAL CURRENT ASSETS	<u>471,617,682</u>	<u>413,814,452</u>
PROPERTY (Note 3)		
Real estate, plants and equipment—at cost	615,591,689	594,491,374
Less accumulated depreciation and obsolescence	345,477,338	312,409,955
Net Real Estate, Plants and Equipment	270,114,351	282,081,419
Special tools—at cost less amortization	44,902,856	9,010,963
TOTAL PROPERTY	<u>315,017,207</u>	<u>291,092,382</u>
OTHER ASSETS	<u>1,032,524</u>	<u>932,617</u>
TOTAL ASSETS	<u>\$787,667,413</u>	<u>\$705,839,451</u>

Reference should be made to the Notes to Financial Statements (pages 16 through 18).

Approved by the Board:

..... J. D. BAKER Director

..... J. D. MINTLINE Director

SHEET

1972 and 1971

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>Dec. 31, 1972</u>	<u>Dec. 31, 1971</u>
CURRENT LIABILITIES		
Accounts payable:		
Trade—affiliated companies	\$ 40,885,221	\$ 35,047,809
Other trade and sundry	83,566,337	59,781,085
Income and other taxes payable	42,386,436	83,473,892
Payrolls and sundry accrued items	66,786,142	47,083,903
TOTAL CURRENT LIABILITIES	<u>233,624,136</u>	<u>225,386,689</u>
LONG-TERM DEBT (Note 4)	<u>140,502,219</u>	<u>100,000,000</u>
DEFERRED INCOME TAXES (Note 5)	<u>7,635,218</u>	<u>7,243,335</u>
OTHER LIABILITIES	<u>3,959,733</u>	<u>7,300,449</u>
SHAREHOLDERS' EQUITY		
Capital stock—\$100 par value; authorized, issued and fully paid, 703,250 shares	70,325,000	70,325,000
Capital surplus (principally additional paid-in capital)	3,211,602	3,211,602
Net income retained for use in the business	328,409,505	292,372,376
TOTAL SHAREHOLDERS' EQUITY	<u>401,946,107</u>	<u>365,908,978</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$787,667,413</u>	<u>\$705,839,451</u>

STATEMENT OF CHANGES IN FINANCIAL POSITION

for the years ended December 31, 1972 and 1971

	Year 1972	Year 1971
SOURCE OF FUNDS		
Net income	\$ 94,195,904	\$ 79,763,402
Depreciation and obsolescence of real estate, plants and equipment	43,568,529	41,646,783
Amortization of special tools	36,591,158	73,932,322
Deferred income taxes — net	391,883	(13,874,663)
Total current operations	174,747,474	181,467,844
Disposals and retirements of property	298,140	1,315,238
Long-term notes issued to banks	—	100,000,000
Notes payable to parent company	40,502,219	(91,342,472)
Total	215,547,833	191,440,610
APPLICATION OF FUNDS		
Dividends paid	58,158,775	45,500,000
Expenditures for real estate, plants and equipment	31,899,601	43,397,431
Expenditures for special tools	72,483,051	25,779,455
Other — net	3,440,623	9,919,251
Total	165,982,050	124,596,137
Increase in working capital during the year	49,565,783	66,844,473
Working capital at beginning of the year	188,427,763	121,583,290
WORKING CAPITAL AT END OF THE YEAR	\$237,993,546	\$188,427,763
INCREASE (DECREASE) IN WORKING CAPITAL BY ELEMENT		
Cash and time deposits	(\$ 13,869,714)	\$ 18,076,030
Accounts and notes receivable — other	40,570,469	16,171,628
Inventories	17,169,368	4,275,653
Prepaid expenses	204,679	(175,302)
Notes and accounts payable:		
Affiliated companies — net	7,891,016	158,115,995
Other	(23,785,252)	(13,782,181)
Income and other taxes payable — net	41,087,456	(135,320,867)
Payrolls and sundry accrued items	(19,702,239)	(20,716,483)
Bank loans	—	40,200,000
INCREASE IN WORKING CAPITAL DURING THE YEAR	\$ 49,565,783	\$ 66,844,473

Reference should be made to the Notes to Financial Statements (pages 16 through 18).

NOTES TO FINANCIAL STATEMENTS

1. Transactions in Foreign Currencies

Transactions in foreign currencies have been stated in Canadian currency at the average rates of exchange for the months in which they occurred. The current portions of assets and liabilities which are to be settled in foreign currencies have been stated in Canadian cur-

rency at the rates of exchange in effect at the balance sheet dates; the noncurrent portions of such assets and liabilities have been stated in Canadian currency at rates which were in effect at the dates of the related transactions.

NOTES TO FINANCIAL STATEMENTS (continued)**2. Net Sales**

The Company is engaged primarily in a single class of business—the manufacture, assembly and distribution of products which relate to transportation equipment consisting principally of passenger cars, trucks, coaches and locomotives as well as parts and accessories. Net sales included sales to affiliated companies of \$1,006,310,083 in 1972 and \$1,116,715,103 in 1971.

3. Properties and Depreciation and Amortization

Real estate, plants and equipment consisted of the following:

	1972	1971
Land, buildings and improvements	\$213,363,413	\$205,194,053
Machinery, equipment and furniture	389,906,788	357,704,227
Construction in progress	12,321,488	31,593,094
Total	<u>\$615,591,689</u>	<u>\$594,491,374</u>

Properties are stated at cost. Maintenance, repairs, rearrangement expenses and renewals and betterments which do not enhance the value or increase the basic productive capacity of the assets are charged to cost and expense as incurred.

The annual group (composite) rates of depreciation are, with minor exceptions, as follows:

Classification of Property	Annual Group Rates
Land improvements	5%
Buildings	3½%
Machinery and equipment	8⅓% (Average)
Furniture and office equipment	6% (Average)

Depreciation is not provided in excess of 100% of the gross book amount of a given group as a whole. Depreciation on groups which are not 100% depreciated is, with minor exceptions, accrued at 150% and 100% of the applicable rate shown above for the first and second thirds, respectively, of estimated useful life and thereafter at 50% of such rate for the balance of time the asset remains in service. Use of this accelerated method accumulates depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated lives of the property.

Expenditures for special tools are amortized, with the amortization applied directly to the

asset account, over short periods of time because the utility value of the tools is radically affected by frequent changes in the design of the functional components and appearance of the product. Replacement of special tools for reasons other than changes in products is charged directly to cost of sales.

Major model changes and tool expenditures were made for 1973 models during the calendar year 1972. As a result, the unamortized tool balance at the end of 1972 was higher than at the end of the previous year.

4. Long-Term Debt and Interest Expense

Long-term debt consists of the following:

	1972	1971
Notes payable to Canadian Chartered Banks . .	\$100,000,000	\$100,000,000
Notes payable to General Motors Corporation—repayable in 1977	40,502,219	—
	<u>\$140,502,219</u>	<u>\$100,000,000</u>

Under the terms of a loan agreement with several banks, the Company borrowed \$100,000,000 on September 15, 1971, repayable on September 15, 1976, and agreed to maintain working capital of at least \$75,000,000 and shareholders' equity of at least 2½ times the outstanding principal amount of the loan.

Interest expense includes interest on long-term debt of \$7,690,177 in 1972 and \$6,345,546 in 1971.

5. Income Taxes

The provision for income taxes consists of the following:

	1972	1971
Taxes payable currently	\$78,142,353	\$83,023,957
Deferred income taxes	391,883	(13,874,663)
Total	<u>\$78,534,236</u>	<u>\$69,149,294</u>

Investment tax credits allowable under the income tax laws are deducted in determining taxes estimated to be payable currently and are deferred and amortized over the lives of the related assets. The tax effects of timing differences between pre-tax accounting income and taxable income are deferred.

NOTES TO FINANCIAL STATEMENTS (concluded)**6. Inventories**

Inventories are stated at the lower of cost or market. Cost is determined substantially by the first-in, first-out or the average cost method. Market value is current sales price less distribution cost for finished product and replacement cost for other inventories. Physical inventories are taken at all locations annually.

7. Pension Program

The Company participates with certain affiliated Canadian companies in pension plans covering substantially all of its employees.

As of December 31, 1972, the actuarially computed value of vested benefits for these plans is approximately equal to the total of the pension funds, at market, and balance sheet

accruals; the unfunded past service pension costs amounted to approximately \$195 million. These past service costs are being funded and amortized in the period extending through 1989.

8. Remuneration of Officers and Directors

The following information is reported in accordance with the requirements of Section 122.2 of the Canada Corporations Act:

In 1972, no remuneration as directors was paid by the Company to the thirteen persons who served as directors in 1972; remuneration as officers aggregating \$1,044,181 was paid by the Company to the nine persons who served as officers, five of whom also served as directors.

AUDITORS' REPORT

DELOITTE, HASKINS & SELLS
Chartered Accountants

Royal Trust Tower
Toronto — Dominion Centre
Toronto 111, Ontario

To the Shareholders of General Motors of Canada Limited:

We have examined the Balance Sheet of General Motors of Canada Limited as at December 31, 1972 and 1971 and the related Statements of Income and Net Income Retained for Use in the Business and Changes in Financial Position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1972 and 1971 and the results of its operations and the changes in its financial position for the years then ended, in accordance with generally accepted accounting principles consistently applied.

Deloitte, Haskins & Sells

January 30, 1973.

STATISTICAL SUMMARY

Unit Sales of Cars and Trucks

Year	Manufactured in Canada			Imported Vehicles	Total Unit Sales	Unit Sales by Areas		
	Cars	Trucks and Coaches	Total Factory Sales			Canada	United States	Other Countries
1963	263,560	44,091	307,651	7,621	315,272	305,341	—	9,931
1964	245,797	47,570	293,367	22,800	316,167	295,865	—	20,302
1965	350,539	67,988	418,527	23,255	441,782	401,176	—	40,606
1966	286,449	69,958	356,407	38,136	394,543	356,491	7,627	30,425
1967	312,060	73,767	385,827	86,198	472,025	338,822	102,872	30,331
1968	336,715	86,864	423,579	114,418	537,997	361,455	142,982	33,560
1969	393,956	107,178	501,134	130,971	632,105	353,546	247,205	31,354
1970	222,243	68,684	290,927	100,797	391,724	210,760	154,180	26,784
1971	407,175	101,490	508,665	179,824	688,489	358,816	293,610	36,063
1972	353,924	105,204	459,128	171,918	631,046	350,999	254,994	25,053



Chevrolet Medium Duty Tandem Axle dump truck.



Pontiac Parisienne Brougham Hardtop Sedan



1800 horse power Diesel Electric road locomotive, one of 110 ordered by Yugoslavia during 1972 to join others already delivered.



Chevrolet Caprice Estate Wagon



Cadillac Sedan de Ville



GMC 1/2 Ton Wideside Sierra Grande Pickup

General Motors of Canada Limited

1972 Annual Report



TEREX 150-ton capacity hauler in service at mine site.